

# **State of Alaska FY2003 Governor's Operating Budget**

## **Department of Community & Economic Development Alaska Seafood Marketing Institute BRU/Component Budget Summary**

## **BRU/Component: Alaska Seafood Marketing Institute**

**(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)**

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### **Component Mission**

The mission of the Alaska Seafood Marketing Institute (ASMI) is to:

1. increase worldwide consumption of Alaska seafood;
2. promote the quality and superiority of Alaska seafood products; and
3. accomplish these marketing efforts while maximizing ASMI staff Alaska resident employment in Alaska.

### **Component Services Provided**

**Export Marketing** – ASMI markets Alaska Seafood products in China/Hong Kong, Japan, Taiwan, Korea, Australia, and the European Union. Using in-country contractors, ASMI conducts retail and foodservice promotions, public relations activities, tradeshow, consumer and advertising, and special events and seminars. This program is funded by a USDA grant through the Foreign Agricultural Service with a Receipt Supported Services match and a 50% in-kind match from third parties.

**Domestic Marketing** – ASMI markets all species of Alaska Seafood in the retail and foodservice (hotel restaurants and institutions) sectors of the United States market. Using four contractors based in Florida, Texas, Ohio and California, and staff, ASMI conducts promotions, public relations activities, tradeshow, trade advertising, special events, and in-depth Alaska Seafood training conferences for Executive Chefs of restaurant chains, hotel chains, and (in 2001) cruise ships.

**Seafood Technical** – ASMI conducts quality training programs for seafood handlers from the harvester to the retailer, including air cargo shippers. The Seafood Technical program monitors labeling laws around the world and state, federal and international seafood requirements. It tracks developments with the organic labeling issue, health benefits of Alaska Seafood, and other important national and international issues that affect the entire industry. There is no other entity in Alaska that performs as broad a function as this component on behalf of the industry.

**Public Relations** – ASMI issues press releases, serves as liaison with the national and international press on issues affecting Alaska Seafood, publishes ASMI's newsletter, manages the Salmon Market Information Service, and educates the industry and the public about ASMI's programs. The national component of this program was cut due to budget constraints.

**Salmon Marketing Initiative** – Develops and coordinates an Alaska salmon marketing plan that will lead to increased sales volume and product value for the Alaska salmon industry in the US market. (This is a 3-year program (2000-2003) funded by an EDA grant to assist the Alaska salmon industry combat imported farmed salmon in the United States Market.)

### **Component Goals and Strategies**

Redirect the retail marketing program from national promotions to customized programs for major retail chains that move high volumes of Alaska Seafood. Work with smaller 'boutique' retailers that have a track record of valuing Alaska Seafood products to ensure markets that are not based on price alone.

Conduct a pilot project for a special Alaska Seafood Section similar to the Angus Beef section in meat counters.

Continue focus on health benefits, ease of preparation, sustainability (the Marine Stewardship Council certification), and the Alaska brand. In FY03, stress the fact that this is an American industry.

Promote canned salmon with targeted marketing events like NASCAR races, “cause marketing” such as Breast Cancer Awareness Month, and special in-store promotions. ASMI will also act as an advocate for the approval of the American Heart Association “Heart-check” logo on canned salmon, which would be a major breakthrough.

Develop a foodservice-retail synergy with simultaneous ASMI activities in local restaurants and nearby grocery stores so that consumers can purchase the products they have enjoyed in their neighborhood restaurant.

Aggressively pursue the shrinking number of national distribution chains and ensure that Alaska Seafood does not become a victim of consolidation. (Distributors sell the vast majority of seafood products to the foodservice and retail sectors.)

Build on the success of FY2001 in the foodservice arena by expanding the number of restaurant chains that now brand Alaska on their menus. Build an Alaska Seafood customer base with private clubs, university feeding programs and ethnic restaurants (Latino and Asian).

Combat the forces that are devaluing the salmon of Alaska and reducing the profitability of the Alaska salmon industry in all markets.

Research shows that many consumers around the world are not aware that all salmon are not wild and natural. Farmed salmon producers are not marketing their products as farmed and use the word “natural” to market salmon reared in pens.

- ASMI will use public relations, chef training, seafood manager (grocer) training, cooking shows, consumer education, and special events to further develop awareness of Alaska Salmon as a wild natural product as opposed to farm-reared industrial salmon.
- ASMI will place stories in the media (print and television through Public Service Announcements in the U.S.) that point out how farmed salmon imports are damaging the Alaska seafood industry and the impact that is having on the state’s fishing families, processors and small communities.
- In the United States, ASMI will pursue opportunities for Alaska Salmon as an ingredient in ready-to-eat and convenience meals. This area is dominated by chicken and beef. ASMI will seek out food manufacturers and present opportunities to the salmon industry. This could be a new market for the lower value and lower quality salmon that is now canned or sold at extremely low margins.

Quality handling continues to be one of the most serious issues facing the industry. ASMI will develop quality training materials on CD-ROM for all seafood handlers to improve the quality of Alaska Seafood. Each program will have a test and a certificate that can be printed to show completion of the course.

### **Key Component Issues for FY2002 – 2003**

The seafood industry, Alaska's largest private sector employer, is suffering from severely depressed salmon market prices. These depressed market prices are, in large part, being driven by a flood of farmed salmon. As a result, average ex-vessel prices for Alaskan wild salmon are low. Revenue generated by the 1% Salmon Marketing Tax is expected to decline from FY02 levels by at least \$700.0. This reduction will have a significant negative impact on ASMI's marketing efforts. Increased marketing will be needed to help offset depressed market conditions. To have an effect on the upcoming summer fishing season, this will need to be addressed prior to FY03.

Combat the impacts of farmed salmon on the Alaska salmon industry both in the United States and abroad.

Use every method at ASMI's disposal to improve the quality of Alaska Salmon and educate the industry on the consequences in the world markets of not doing so.

Conduct research in the US and overseas markets to position Alaska wild halibut in the market against the future threat of farmed halibut.

## Major Component Accomplishments in 2001

Alaska Seafood was ranked #3 of the top ten brands in the top 500 restaurant chains in the United States. Building the Alaska Seafood brand is the best way to raise the products from a commodity status to a recognized brand similar to Idaho Potatoes and Washington Apples.

A Salmon Index was established for the U.S. market. This is a monitoring index composed of several measurements that are weighed together to create a composite number. Such measurements include attitude and awareness, media exposure, positive associations with Alaskan Salmon, price/value relationships, awareness of industry issues, and farmed salmon issues. Having established a quantifiable baseline in Year 1, ASMI will measure change over the subsequent years.

The UK market is the largest Alaska Canned Salmon market in the world. Norwegian, Irish and Scottish farmed salmon have dominated the fresh/frozen market. In 2000, pink salmon fillets were sold in 305 stores in the United Kingdom in ASMI promotions. This was followed in 2001 by sockeye, coho and keta salmon.

ASMI conducted two trade missions of Mediterranean and German salmon smokers to Alaska in FY01. After more than 10 years of almost 100% usage of farmed salmon from Norway, Ireland and Scotland, these companies are coming back to wild Alaska Salmon in spite of considerable tariffs and inconsistent supply.

For the first time, major metropolitan newspapers in the United States carried feature stories on the differences between wild and farmed salmon and the impact farmed salmon is having on the Alaska Salmon industry. These articles were generated by press kits sent out to 800 editors by ASMI. (Research indicates that salmon consumers are more likely to purchase Alaska Salmon if they know the impact farmed salmon is having on Alaska fishing families.)

## Statutory and Regulatory Authority

AS 16.51.010-180  
AS 43.76.110-130  
15 AAC 116.600-700

## Key Performance Measures for FY2003

### Measure:

The increase in the development of new markets.  
Sec 33(b)(1) Ch 90 SLA 2001(HB 250)

### Alaska's Target & Progress:

**Increase the presence of Alaska Seafood in the Takeout Market.** FY01 was ASMI's second year of a program to position Alaska seafood in the US takeout market (ready-to-eat or ready-to-heat meals), now dominated by beef and chicken. ASMI promotions with salmon, halibut, cod and King Crab legs at the Byerly's/Lund's supermarket chain of 19 stores resulted in a 21.7% increase in sales over the previous year, with the deli and bakery up 4.3%. A month-long promotion at Mallard's and O'Brien's supermarkets with halibut, crab cakes, snow crab, shrimp and salmon resulted in a 20% increase in sales over the same period the year before.

**Market Alaska Seafood to Children.** A "Kids Program" was initiated in the United States with family restaurants complete with placemats for kids to draw on and washable tattoos of Alaska animals and fish

- Book covers for school kids were developed with Alaska-related pictures and trivia that the kids can color
- Alaska Salmon Lifecycle curriculum was written by two retired Juneau teachers and put on ASMI's webpage
- ([www.alaskaseafood.org](http://www.alaskaseafood.org))

- Alaska Sockeye was featured on the Cartoon Network in Japan
- Parent Teacher Association cooking contests for moms were held in Japan
- School Canteen (cafeteria) promotions were held in Australia
- Canned Salmon for Lunch contests were held for school children in the United Kingdom
-

**Develop the Alaska Seafood Market in China.** After three years of developing this market, China's entry into the WTO will dramatically change the picture for imports from overseas. Norwegian and Chilean farmed salmon is well-established. ASMI will continue to build preference and usage for Alaska Salmon.

Imports to China in FY01 increased 10% over FY00. ASMI promotions moved 26% more product than FY01 even with the downturn in Alaska Crab production.

#### **Benchmark Comparisons:**

ASMI is the nation's largest seafood organization representing a single state. It is the only one of any size that markets more than one species of seafood. Other comparable organizations would be the Norwegian Seafood Export Council, which markets all species of seafood from Norway for a budget of approximately \$42,000,000 per year. Their return on marketing investment is not public information. Chile is also often compared to Alaska (although their production is twice as high and growing). They belong to the International Salmon Farmers Association, which does not have a viable marketing program at this time in our markets. Their salmon products are sold primarily on price.

#### **Background and Strategies:**

**Increase the presence of Alaska Seafood in the Takeout Market.** Takeout is one of the fastest growing segments of the food market. The use of seafood is limited. ASMI will build on the success of the Bylerly's program and take on other upscale grocery store chains with similar promotions that utilize Alaska seafood in different sections of the store.

**Market Alaska Seafood to Children.** This program is entering its third year. The goal is to start children on seafood at a young age and encourage parents to purchase Alaska seafood for both meals at home and in restaurants. The strategy focuses primarily on foodservice, but will now include specific easy-to-fix kid-friendly recipe programs targeting young families shopping at retail.

**Develop the Alaska Seafood Market in China.** China is the best example of a developing market. While most imported Alaska Salmon and groundfish is re-exported in value-added form (i.e., pinbone out fillets), more is staying in the country for local consumption. ASMI has been preparing the ground for the impact that entry into the World Trade Organization will have on Alaska Seafood imports. Alaska Crab is a major import into China and the downturn in quota has impacted overall export figures from Alaska. However, more Alaska Salmon (primarily Keta) is staying in the country and appearing in restaurants and in grocery stores. ASMI has been planting the seeds for expansion in this market and will work on three primary areas: getting Alaska processors to sell product into the market rather than just for reprocessing; target the luxury hotels and restaurants for high-end products; target retail for the more moderately priced pinks and chums.

#### **Measure:**

The change in pounds of value-added seafood sold.  
Sec 33(b)(2) Ch 90 SLA 2001(HB 250)

#### **Alaska's Target & Progress:**

Approximately 65% of the seafood sold at foodservice is in value-added form. This trend is growing at 7-10% per year. The figures below were taken from *Ken Talley's Seafood Newsletter* and reflect the calendar year 2000 in the United States market.

##### **Salmon:**

- Steak production was up 24%.
  - Salmon fillet production was down 18%.
  - Headed and gutted salmon made up approximately 30% of the salmon products.
  - Canned salmon: Production of canned pink salmon was down 40%; canned sockeye production was up 6%.
- Pollock: Fillet production was up 11% in 2000. Value-added pollock is surimi, fillets, minced blocks. (In 1999, 292,000 metric tons went into fillets, 317,900 metric tons went into surimi, and 9,100,000 metric tons went into minced pollock.)
- Cod: Fillet production dropped 8%. (Cod is sent in Headed and Gutted (H&G) form to Europe and Asia where it is reprocessed into fillets and salted cod. The North American market is primarily fillet form.)
- Halibut: Steak production was up 14%.
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#### **Benchmark Comparisons:**

Not applicable.

#### **Background and Strategies:**

ASMI can only report on the numbers that are available through the seafood trade publications and the Commercial Operators Annual Reports for salmon. The above figures reflect all salmon in the United States, including farmed. Canned salmon, Pollock, and cod are primarily Alaska product. Halibut can be sourced from Alaska, Canada and the Pacific Northwest. Over the past 5-6 years, Alaska seafood has been exported to China and Thailand where value is added and the products are shipped worldwide.

**Measure:**

The change in pounds of seafood sold.  
Sec 33(b)(3) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

FY00: 40,950,000 lbs. sold through ASMI promotions  
1.6 million cases of canned salmon in the US

FY01: 37,910,190 lbs.\* sold through ASMI promotions  
1.4 million cases of canned salmon in the US  
*\*Shellfish production in 2000 dropped 74%. Salmon harvests were down 37%.*

Note: the error margin is approximately 10% under actual sales; numbers of pounds moved is considered proprietary by some promotion partners and not always available to ASMI.

**Benchmark Comparisons:**

Not applicable.

**Background and Strategies:**

ASMI works on a "push" marketing strategy – getting the primary buyers to purchase Alaska seafood. The purpose is to move pounds and provide the Alaska seafood industry with a return on their marketing investment. ASMI is rededicating itself to this principle by focusing on the top performers at retail and, with reduced budgets, prioritizing our partners by how much volume they can sell. The Salmon Market Initiative funded by the EDA will provide the "pull" strategy – getting consumers into the stores and restaurants to ask for Alaska salmon and other Alaska seafood products.

## Alaska Seafood Marketing Institute

### Component Financial Summary

*All dollars in thousands*

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	1,223.7	1,209.9	1,272.3
72000 Travel	386.9	418.0	418.0
73000 Contractual	6,700.9	9,413.8	8,703.0
74000 Supplies	239.7	180.0	180.0
75000 Equipment	37.1	8.5	8.5
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>8,588.3</b>	<b>11,230.2</b>	<b>10,581.8</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	1,643.2	3,500.0	3,500.0
1007 Inter-Agency Receipts	2.8	0.0	0.0
1053 Investment Loss Trust Fund	30.5	0.0	0.0
1156 Receipt Supported Services	6,911.8	7,730.2	7,081.8
<b>Funding Totals</b>	<b>8,588.3</b>	<b>11,230.2</b>	<b>10,581.8</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<b><u>Unrestricted Revenues</u></b>						
None.		0.0	0.0	0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b><u>Restricted Revenues</u></b>						
Federal Receipts	51010	1,643.2	3,500.0	3,500.0	3,500.0	3,500.0
Interagency Receipts	51015	2.8	0.0	0.0	0.0	0.0
Receipt Supported Services	51073	6,911.8	7,030.3	7,030.3	7,081.8	7,081.8
Investment Loss Trust Fund	51393	30.5	0.0	0.0	0.0	0.0
<b>Restricted Total</b>		<b>8,588.3</b>	<b>10,530.3</b>	<b>10,530.3</b>	<b>10,581.8</b>	<b>10,581.8</b>
<b>Total Estimated Revenues</b>		<b>8,588.3</b>	<b>10,530.3</b>	<b>10,530.3</b>	<b>10,581.8</b>	<b>10,581.8</b>

## Alaska Seafood Marketing Institute

### Proposed Changes in Levels of Service for FY2003

The seafood industry, Alaska's largest private sector employer, is suffering from severely depressed salmon market prices. These depressed market prices are, in large part, being driven by a flood of farmed salmon. As a result, average ex-vessel prices for Alaskan wild salmon are low. Revenue generated by the 1% Salmon Marketing Tax is expected to decline from FY02 levels by at least \$700.0. This reduction will have a significant negative impact on ASMI's marketing efforts. Increased marketing will be needed to help offset depressed market conditions. To have an effect on the upcoming summer fishing season, this will need to be addressed prior to FY03.

### Summary of Component Budget Changes

#### From FY2002 Authorized to FY2003 Governor

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>0.0</b>	<b>3,500.0</b>	<b>7,730.2</b>	<b>11,230.2</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	51.6	51.6
<b>Proposed budget decreases:</b>				
-Anticipated Reduction in Salmon Marketing Taxes	0.0	0.0	-700.0	-700.0
<b>FY2003 Governor</b>	<b>0.0</b>	<b>3,500.0</b>	<b>7,081.8</b>	<b>10,581.8</b>



## Alaska Seafood Marketing Institute

## Personal Services Information

Authorized Positions		Personal Services Costs		
	<u>FY2002</u>	<u>FY2003</u>		
	<u>Authorized</u>	<u>Governor</u>		
Full-time	18	18	Annual Salaries	944,672
Part-time	0	0	COLA	33,708
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	321,298
			Less 2.11% Vacancy Factor	(27,378)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>18</b>	<b>18</b>	<b>Total Personal Services</b>	<b>1,272,300</b>

## Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Technician	0	0	3	0	3
Admin Support Technician	0	0	1	1	2
Administrative Officer	0	0	1	0	1
Asst Marketing Director	0	0	0	1	1
Communications Coordinator	0	0	1	0	1
Executive Director	0	0	1	0	1
Export Program Director	0	0	0	1	1
Foodservice Director	0	0	0	1	1
Marketing Assistant	0	0	0	1	1
Marketing Specialist	0	0	0	2	2
Project Assistant	0	0	1	0	1
Quality Assurance Coordinator	0	0	1	0	1
Retail Program Director	0	0	0	1	1
Sr Marketing Spec/Res Analyst	0	0	0	1	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>9</b>	<b>18</b>